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ORIGINAL

WILMER, CUTLER & PICKERING

2445 M STREET, N.W.

WASHINGTON, D.C. 20037-1420

TELEPHONE (202) 663-6000
FACSIMILE (202) 663-6363

DAVID G. GRAY
DIRECT LINE (202) 663-6299
INTERNET DGRAY@WILMER.COM

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

100 LIGHT STREET
BALTIMORE, MD 21202
TELEPHONE (410) 966-2800
FACSIMILE (410) 966-2828

4 CARLTON GARDENS
LONDON SW1Y 5AA
TELEPHONE 011 441711 872-1000
FACSIMILE 011 441711 839-3537

DE LA LOI 15 WETSTRAAT
B-1040 BRUSSELS
TELEPHONE 011 (322) 285-4900
FACSIMILE 011 (322) 285-4949

FRIEDRICHSTRASSE 95
D-10117 BERLIN
TELEPHONE 011 (4930) 2022-6400
FACSIMILE 011 (4930) 2022-6500

March 17, 2000

BY HAND

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, NW
Washington, D.C. 20554

Re: *Ex Parte* Presentation in CC Docket Nos. 94-1, 96-45, 99-249, and 96-262

Dear Ms. Salas:

Pursuant to 47 C.F.R. § 1.1206, Valor Telecommunications, Inc. ("Valor") hereby submits a memorandum summarizing an *ex parte* presentation in the above-listed dockets.

On March 16, 2000, representatives of Valor and Citizens Utility Company ("Citizens") met with Commissioner Ness and Mr. Jordan Goldstein for the purpose of making an *ex parte* presentation regarding the CALLS proposal. The Valor representatives present at the meeting were Ms. Anne Bingaman, Mr. Michael Page, and Mr. William Lake of Wilmer, Cutler & Pickering; Citizens was represented by Mr. Robert Caprye. Valor understands that Citizens will submit its own *ex parte* memorandum summarizing the points that it presented to Commissioner Ness and Mr. Goldstein.

During the meeting, Valor presented a written handout (copy attached) and discussed issues related to the CALLS proposal, including the possibility of Valor's participation in CALLS and the status of its negotiations with the CALLS group. Valor made the following points that heretofore had not been addressed in the record.

1. Valor is concerned about the impact that the CALLS proposal will have on its ability – as a company that will serve mostly rural customers – to implement its business plan and improve the quality of service provided to its customers. Valor has signed an asset purchase agreement with GTE for the acquisition of approximately 520,000 access lines and 260 exchanges in smaller to mid-sized, mostly rural, markets in New Mexico, Oklahoma and Texas. Valor's business plan calls for significant upgrades to the acquired operations. Valor is committed to increasing its support staff by 10% within 18 months of closing in order to

improve the overall quality of service. Within 24 months of closing, all of Valor's exchanges will be upgraded to full CLASS services. Also within 24 months of closing, Valor anticipates installing DSL and dial-up ISP services in its top 20 markets. Furthermore, Valor has committed to study the commercial feasibility of deploying DSL services to any community that demonstrates that at least 75 lines will subscribe to such service. Valor is concerned that the CALLS proposal, as currently structured, would impede its efforts to deploy these new services on behalf of its customers.

2. The CALLS proposal needs to acknowledge that Valor's customer base and operating characteristics put the company in a different category than other mid-sized carriers, such as Sprint, for the purpose of establishing a targeted "minute-of-use" ("MOU") rate for traffic-sensitive access charges. The CALLS group has acknowledged that the operating characteristics of Citizens may warrant a higher MOU target rate. As demonstrated by the chart handed out during the presentation (copy attached), Valor's service territory is similar to that of Citizens in its teledensity.
3. The CALLS proposal needs to establish an appropriate target MOU rate for mid-sized carriers that serve primarily rural exchanges. Both Citizens and Valor believe that \$.0095 is a reasonable MOU price floor.
4. The CALLS proposal does not adequately address the acquisition of exchange lines from larger price cap LECs by mid-sized LECs. Valor's pending acquisitions of GTE access lines are scheduled to close between 6/1/00 and 9/1/00. Valor needs to ensure that the MOU rate designated for Valor, rather than the rate appropriate for GTE, will go into effect upon closing of the acquisitions.
5. Valor is concerned that the CALLS proposal does not set aside USF funds for those exchange lines the transfer of which was negotiated as the CALLS model was being developed. Valor needs to ensure that it receives its share of the \$650 million USF fund upon closing of its acquisitions.

Respectfully submitted,



David G. Gray
WILMER, CUTLER & PICKERING
2445 M Street, NW
Washington, D.C. 20037
(202) 663-6299

cc: Commissioner Ness, Mr. Jordon Goldstein

TELEDENSITY COMPARISON:

VALOR v. RBOCs v. CITIZENS

	Line Density (lines / square mile)	Access Lines/ Exchange	Number of Lines	Number of Exchanges	Area (sq. miles)
RBOCs	287.5	10,853	175,959,000	16,240	580,864
SPRINT¹	56	-	-	-	-
CITIZENS	9.07	2,298	834,180	363	91,299
VALOR	10.94	1,999	519,176	260	47,448

1. As reported by John Nakahata 3/15/00.